

Message Text

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PAGE 01 MANILA 03340 01 OF 02 230922 Z

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ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 IO-12 PA-03 PRS-01 USIA-12 NEA-10

RSR-01 DOTE-00 INRE-00 /163 W
----- 130958

P 230808 Z MAR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3969

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 3340

USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 6/30/73

TAGS: EAID, EFIN, RP

SUBJECT: PROPOSED ADB LOAN FOR COTABATO PORT DEVELOPMENT
PROJECT (PHILIPPINES)

SUMMARY: ADB MANAGEMENT PROPOSES \$6.6 MILLION
EQUIVALENT LOAN FROM ORDINARY FUNDS TO REPUBLIC OF
PHILIPPINES TO FINANCE FOREX COSTS OF DEVELOPMENT
OF NEW PORT FOR COTABATO CITY AND ITS ENVIRONS IN
MINDANAO, INCLUDING CONSTRUCTION AND IMPROVEMENT OF
ACCESS ROADS TO NEW PORT SITE, AND PROVISION OF CONSULTANCY
ARVICES. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R28-73 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES 20 MARCH. BOARD CONSIDERATION
TENTATIVELY SCHEDULED 3 APRIL.

2. ADB MANAGEMENT PROPOSING \$6.6 MILLION LOAN FROM
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PAGE 02 MANILA 03340 01 OF 02 230922 Z

ORDINARY FUNDS TO THE REPUBLIC OF PHILIPPINES. PROCEEDS WILL FINANCE FOREX COST OF CONSTRUCTION OF NEW PORT AT POLLOC HARBOR, LOCATED APPROXIMATELY 15 KM. NORTH OF COTABATO CITY IN MINDANAO, INCLUDING CONSTRUCTION AND IMPROVEMENT OF NECESSARY ACCESS ROADS, AND PROVISION OF CONSULTANCY SERVICES. PROPOSED TERMS ARE 25- YEAR AMORTIZATION INCLUDING 4- YEAR GRACE PERIOD, 7 1 X2 PERCENT INTEREST. REPUBLIC OF PHILIPPINES TO BE BORROWER, AND DEPT OF PUBLIC WORKS, TRANSPORTATION AND COMMUNICATIONS THE EXECUTING AGENCY.

3. COTABATO PROVINCE COVERS LARGE PART OF FERTILE COTABATO RIVER BASIN. ECONOMIC RESOURCE OF PROVINCE ARE SUBSTANTIAL, BUT UNDER- UTILIZED. POTENTIAL FOR INCREASED FOOD- GRAIN PRODUCTIVITY CONSIDERED TO BE SEVERAL TIMES PRESENT VOLUME OF PRODUCTION (MAINLY RICE AND CORN), SUFFICIENT TO COVER NATIONAL IMPORT NEEDS, ESPECIALLY OF RICE. PROVINCE ALSO HAS CONSIDERABLE FOREST RESERVES, SUBSTANTIAL NICKEL AND COPPER DEPOSITS, AND WELL- ESTABLISHED PLYWOOD INDUSTRY. PROSPECTS FOR SMALL AND MEDIUM- SCALE INDUSTRIES ARE CONSIDERED GOOD. HOWEVER, CONCERTED EFFORTS NEEDED TO RELIEVE REGION'S POTENTIAL.

4. TRANSPORTATION IS SERIOUS BOTTLENECK TO ECONOMIC GROWTH OF MINDANAO IN GENERAL. EXISTING PORT AT COTABATO IS LIMITED BY DIFFICULTY OF ACCESS TO SHIPS, FREQUENT DELAYS IN CARGO HANDLING, INEFFICIENT OPERATIONS, LOSS OF SHIP TIME AND CARGO PILFERAGE. IN ADDITION, THERE ARE PHYSICAL LIMITATIONS ON FUTURE EXPANSION OF PORT TO BE ABLE TO ACCOMMODATE PROJECTED CARGO TRAFFIC.

5. IN OCT 1971 BANK APPROVED TECHNICAL ASSISTANCE FOR FEASIBILITY STUDY AND PROJECT PREPARATION FOR DEVELOPMENT OF PORT FOR COTABATO CITY AND ENVIRONS. STUDY WAS COMPLETED IN DEC 1972 AND CONCLUDED THAT NEW DEEP WATER PORT MUST BE DEVELOPED IN VICINITY OF COTABATO CITY. IT RECOMMENDED POLLOC HARBOR, AMONG SEVERAL ALTERNATIVES, AS SITE OF NEW PORT.

6. PROPOSED PROJECT HAS TWO MAJOR COMPONENTS: (A) PORT WORKS -- CONSISTING OF CONSTRUCTION OF 400- METER- LONG MAIN WHARF FOR LARGER INTER- ISLAND AND OCEAN- GOING VESSELS AND LIMITED OFFICIAL USE

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PAGE 03 MANILA 03340 01 OF 02 230922 Z

200- METER- LONG SECONDARY WHARF FOR SMALLER INTER- ISLAND

AND FEEDER VESSELS; DREDGING; CONSTRUCTION OF TWO TRANSIT
SHEDS; RECLAMATION OF 10 HECTARES OF PORT AREA AND 21
HECTARES OF BACK- UP AREA FOR DEVELOPMENT OF PRIVATE WARE-
HOUSING AND TRADE- ORIENTED INDUSTRIES NEAR PORT; PROVISION
OF ANCILLARY INSTALLATIONS AND SERVICES; AND (B) ROAD WORKS
-- CONSISTING OF CONSTRUCTION OF TWO NEW ACCESS ROADS TO
PORT (ONE FROM COTABATO CITY IN SOUTH AND OTHER FROM
NATIONAL HIGHWAY IN EAST) AND IMPROVEMENT OF EXISTING ROADS.
PROJECT EXPECTED TO RESULT IN SIGNIFICANT REDUCTIONS IN CARGO
HANDLING COSTS AND IN TURN- AROUND TIME OF VESSELS. ACCESS
ROADS AND MAIN WHARF ARE EXPECTED TO BE COMPLETED FOR UTILIZA-
TION BY END OF 1975, WITH ALL WORKS EXPECTED TO BE COMPLETED
BY JUNE 1977. COTABATO- GENERAL SANTOS ROAD, WHICH IS BEING
FINANCED BY BANK, WILL LINK UP WITH PROPOSED PROJECT AND WILL
BE MAIN ROAD THROUGH WHICH AGRICULTURAL SURPLUS OF PROVINCE
WILL BE SHIPPED OUT. NEW PORT WILL PROVIDE ADEQUATE FACILITIES
TO EFFICIENTLY HANDLE EXPECTED GRADUAL INCREASES IN CARGO
TRAFFIC UP TO 1985, WITH ADEQUATE POTENTIAL FOR FURTHER
EXPANSION. ECONOMIC RATE OF RETURN ESTIMATED AT 18 PERCENT.

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ADP000

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PAGE 01 MANILA 03340 02 OF 02 230952 Z

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CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

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DOT-00 INRE-00 RSR-01 /163 W

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P 230808 Z MAR 73

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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 3340

USADB

7. TOTAL COST OF PROJECT IS ESTIMATED AT \$9.9 MILLION
EQUIVALENT. PROPOSED BANK LOAN WOULD FINANCE \$6.6 MILLION
FOREX COMPONENT INCLUDING \$5.5 MILLION FOR DIRECT PROCUREMENT

OF MATERIALS, INDIRECT FOREX COMPONENT FOR PURCHASE OF CONSTRUCTION MATERIALS AND FOR HIRING OF IMPORTED CONSTRUCTION EQUIPMENT, AND CONSULTANCY SERVICES; \$980,000 FOR INTEREST AND OTHER CHARGES DURING CONSTRUCTION; AND \$120,000 OUT OF EXPENDITURE OF \$220,000 FOR EARLIER TECHNICAL ASSISTANCE GRANT WHICH IS TO BE CONVERTED INTO LOAN AND INCLUDED IN PROPOSED LOAN AMOUNT. CAPITALIZATION OF INTEREST AND OTHER CHARGES DURING CONSTRUCTION IS RECOMMENDED IN VIEW OF COUNTRY'S DIFFICULT FOREX RESOURCES POSITION AND HEAVY CAPITAL OUTLAYS REQUIRED FOR REHABILITATION PURPOSES FOLLOWING LAST YEAR'S FLOODS IN CENTRAL LUZON. LOCAL CURRENCY EXPENDITURE OF \$3.3 MILLION EQUIVALENT WILL BE FINANCED BY GOVT FROM PORT WORKS FUND FOR PORT WORKS AND FROM GENERAL REVENUE RESOURCES FOR ROAD WORKS.

8. FOREIGN CONSULTANTS WILL BE ENGAGED IN ACCORDANCE WITH BANK'S GUIDELINES ON USES OF CONSULTANTS TO UNDERTAKE DETAILED ENGINEERING FOR BOTH ROAD AND PORT WORKS. THEY WILL BE REQUIRED TO OBTAIN NECESSARY SUPPORTING SERVICES, WHEREVER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE 1600-1800 ON 21 ST WAS S42 1600-1700 AND U33 1700-1800.

5. ROMANIAN - SATISFACTORY 1700-1800 791, WITH 15195 AND 11915 BACK UP. ON 20 TH 791 ONLY FREQUENCY HEARD 1730-1800. 1930-2000 791 SATISFACTORY, ONLY 15395 SATISFACTORY ONE DAY.

6. UKRAINIAN - 0200-0300 UNSATISFACTORY DUE VERY STRONG MAYAK. ONLY FREQUENCIES HEARD WERE 9505 AND 7190. 1600-1700 SATISFACTORY 11805 WITH 7270 BACK UP. 1700-1800 UNSATISFACTORY DUE LACK OF BACK UP FOR PRIMARY 11 805. WEAK VOA ENGLISH HEARD 15140 1700-1800 ON 21 ST.

7. RUSSIAN - UNSATISFACTORY ALL PERIODS. ONLY SATISFACTORY FREQUENCY 11710 FROM 1800 TO 1900. UNUSUAL HIGH LEVEL CO AND ADJACENT CHANNEL BROADCASTERS. IN ADDITION VERY STRONG MAYAK CONSIDERABLE NOISE JAMMING UKRAINIAN AND RUSSIAN THIS AREA WITH PREDOMINATE IDENTIFIERS BEGINNING WITH LETTER "S".
DECONTROL 3/23/74.
MEEKER

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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